

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 SIG-03 CAB-02 CIAE-00
COME-00 DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00
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FM SECSTATE WASHDC
TO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY BRUSSELS
AMEMBASSY BONN
AMEMBASSY ROME
AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
AMEMBASSY MADRID
AMEMBASSY LISBON
AMEMBASSY OTTAWA

C O N F I D E N T I A L STATE 064526

E.O. 11652: GDS

TAGS: EAIR, XT, US

SUBJECT: US-EUROPE CIVAIR ISSUES

REF: STATE 063531; PARIS 8602 (NOTAL)

1. POSTS WILL BE AWARE GENERALLY CIVAIR ISSUES BETWEEN US
AND NUMBER EUROPEAN COUNTRIES CENTERING PRINCIPALLY AROUND
AIR FARES AND CHARTER SERVICES.

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2. NEGOTIATIONS ARE STILL IN PROGRESS WITH UK OVER OUR
VIEW THAT AIRLINES BE ALLOWED TO OFFER LOW AIR FARES THIS
SUMMER IN US-UK MARKETS, AND UK RESISTANCE TO APPROVING
EXTENSION OF THE DISCOUNT FARES (STANDBY, BUDGET, ETC.)
OUTSIDE NEW YORK-LONDON MARKET. THERE IS A GOOD PROSPECT
THAT THIS ISSUE WILL BE RESOLVED TO OUR SATISFACTION IN

NEXT FEW DAYS. NEGOTIATIONS ARE ALSO IN PROGRESS WITH UK FOR A CHARTER AIR SERVICE AGREEMENT TO COMPLETE THE UNFINISHED BUSINESS OF THE BERMUDA II AGREEMENT OF LAST JULY. IT IS LESS CERTAIN THAT THESE NEGOTIATIONS WILL PROVE SUCCESSFUL.

3. NEGOTIATIONS LAST WEEK WITH THE NETHERLANDS RESULTED IN AN AD REFERENDUM AGREEMENT ON AIR FARES, CHARTERS, AND OTHER ISSUES (STATE 063531). THIS AGREEMENT CONTAINS TWO

IMPORTANT FEATURES. FIRST, CHARTERS MAY OPERATE UNDER THE CHARTERWORTHINESS RULES OF THE COUNTRY OF TRAFFIC ORIGIN WITHOUT ANY LIMITATIONS. (IN THIS RESPECT, THE AGREEMENT PARALLELS THE RECENTLY-CONCLUDED AGREEMENT WITH BELGIUM). SECONDLY, BOTH SCHEDULED AIR FARES AND CHARTER PRICES WILL BE SUBJECT TO THE SOLE CONTROL OF THE COUNTRY OF TRAFFIC ORIGIN. (ALL OTHER BILATERALS GIVE EACH COUNTRY A VETO RIGHT OVER AIR FARES, REGARDLESS OF TRAFFIC ORIGIN.) IN ADDITION, BOTH COUNTRIES AGREED TO USE THEIR "BEST EFFORTS" TO PREVENT THIRD COUNTRY AIRLINES FROM OFFERING AIR FARES WHICH DISCRIMINATE AGAINST US OR DUTCH AIRLINES. A NUMBER OF EUROPEAN AIRLINES ARE OFFERING OR PROPOSING AIR FARES BETWEEN THE US AND THEIR HOMELANDS WHICH THEIR GOVERNMENTS ARE NOT ALLOWING TO THIRD COUNTRY AIRLINES (E.G., ALITALIA US-ITALY FARES WHICH ITALY DOES NOT ALLOW KLM TO MATCH). THE SIGNIFICANCE OF THE BEST EFFORTS LANGUAGE IS THAT THE CONFIDENTIAL

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US AND NETHERLANDS COMMIT THEMSELVES IN PRINCIPLE TO OPPOSE SUCH THIRD COUNTRY AIRLINE EXCLUSIONS.

4. IT IS DIFFICULT TO PREDICT THE DEGREE TO WHICH THE COMPETITIVE IMPACT OF THE NETHERLANDS AGREEMENT WILL PERSUADE OTHER EUROPEAN COUNTRIES TO ACCEPT LOW AIR FARES AND CHARTER FLIGHTS OPERATED UNDER LIBERAL CONDITIONS, BUT WE ANTICIPATE THAT THERE WILL BE AN IMPACT.

5. THE US MEETS THIS WEEK WITH ECAC AND CANADA, ALSO ON AIR FARES AND CHARTERS. THIS MEETING WILL SERVE AS AN INTERESTING BAROMETER OF THE SITUATION.

6. DEPARTMENT WOULD APPRECIATE RECEIVING PRESS AND OTHER FOREIGN REACTIONS TO CURRENT ISSUES. VANCE

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